



# Travelling Safely at Speed: Embracing SWIFT gpi at IATA

By Eleanor Hill, Editor



*SWIFT's gpi initiative marks a fundamental reshaping of the cross-border payments landscape.*



**A**t its core, SWIFT gpi is all about speed, efficiency and transparency – but its success rests on support and collaboration too. Early adopters are shaping the way forward for this fundamental change to cross-border payments and co-creation is now the order of the day, as banks and corporates team up to help build a brave new world.

SWIFT's global payments innovation (gpi) initiative marks a fundamental reshaping of the cross-border payments landscape. With over 150 banks having already signed up for inclusion since the first phase of gpi went live in January 2017, corporates can now expect faster international transactions, improved fee transparency, and end-to-end payment tracking.

Given that the corporate need for speed

and transparency in cross-border payments is only set to increase, it is easy to understand why many in the industry see gpi as the future. After all, markets are implementing new distribution channels, business structures are changing accordingly, world-stage competition is intensifying and, ultimately, every business is looking to optimise its own cash and liquidity positions.

## Pioneering the way

As with every great leap forward, however, success is dependent upon pioneers - those with the conviction to get involved from the start, helping to shape the way others use the solution in the future. Both BNP Paribas and the International Air Transport Association (IATA) are gpi trailblazers, working in partnership to conduct one of the first successful gpi pilots.

The reasoning for the bank's involvement in this pilot is simple, says Wim Grosemans, Global Head of Product Development- Payments and Receivables, BNP Paribas Cash Management. "SWIFT has not changed significantly since its first international transfer 40 years ago. As a result, many corporates are struggling with rejected payments and unexpected fees on cross-border payments, as well as a general lack of transparency. SWIFT gpi is a way to enable the whole industry to be able to address these issues and BNP Paribas is keen to innovate in tandem with our clients."

IATA, too, has good reason to collaborate. As the trade association of the world's airlines, with a membership consisting of some 280 mostly major carriers based in some 117 countries, IATA helps to set standards to enable a globally integrated air transportation network. It also operates the industry's Billing and Settlement Plan (BSP) and Cargo Account Settlement System (CASS), which facilitates and simplifies the selling, reporting, and remittance procedures of IATA-accredited travel agents and cargo agents. Last year the BSP and CASS processed more than \$290bn in settlements in 180 countries.

Another activity is the IATA Currency Clearance Services. ICCS offers global cash management that enables airline treasurers to control and repatriate their worldwide sales funds through a central location in London. This effectively means that the vast majority of transactions are cross-border, with smaller volumes of transaction traffic made at a local level, and therefore SWIFT gpi will bring a lot of value in this service.

## Mission critical

For Javier Orejas, Head of Banking Management EMEA and the Americas,

IATA, SWIFT gpi is about "a future which is going to bring transparency into our transactional services - both for IATA and for our members". This is particularly critical from an airline's perspective because, he says, "it is that flow of information which is going to impact their cash forecasting." And since the volumes being processed via IATA systems on their behalf are huge, it is indeed critical for all members to have visibility over these funds, including where they are located at any given time.

According to Orejas, the benefits of SWIFT gpi do not stop there. Through the BSP, for example, IATA receives remittances of ticket sales made by travel agencies around the world. Strict policies and procedures are in place for meeting the deadline for remittances, he explains. In the case of payment delays (over 24 hours) or non-payment, the ticketing authority of the particular travel agent might be withdrawn.

The challenge is that sometimes these delays are the fault of the system, rather than the entities involved. There have been situations where the transfer has been initiated by the travel agent, but for some reason has not been received by IATA. This could be as a result of a blockage by an intermediary, or because funds have not been posted to the bank account in time. Fortunately, with gpi, transaction transparency will minimise or even eliminate these kinds of occurrences.

## Taking the plunge

Against this backdrop, it's easy to see why both IATA and BNP Paribas were - and continue to be - keen to be involved in a SWIFT gpi project together. In terms of process, the work kicked off with internal testing by the bank to confirm that all of the necessary gpi requirements were in place. Then, IATA officially joined the bank's pilot with the objective of incorporating the technology into its own operations by the end of 2017.

Today, IATA's transactions from seven Eurozone countries - France, Slovenia, Slovakia, Lithuania, Latvia, Estonia and Finland - are being processed using gpi



*IATA helps to set standards to enable a globally integrated air transportation network.*



### Wim Grosemans

#### Global Head of Product Development- Payments and Receivables, BNP Paribas Cash Management

Wim Grosemans holds an MSc in Commercial Engineering from Hasselt University, Belgium. He is currently Global Head of Product Development for Payments and Receivables for the Cash Management business of BNP Paribas. Wim is active in the payments and cash management domains within BNP Paribas and its predecessors since 2004 and has end-to-end experience in business development, product management and platform integration, delivery and operations. He also acts as a client advisor.





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technology. These flows are consolidated at a BNP Paribas account in Amsterdam. And thanks to the use of the Unique End-to-End Transaction Reference (UETR), which is a significant feature of SWIFT gpi, IATA now has real-time tracking over these flows, providing an end-to-end view of each payment's lifecycle.

The beauty of gpi is that it requires very little effort from the corporate side to get up and running. Few technology changes are needed, if any. In fact, the biggest hurdle for corporates is actually one of mind-set, says Fabio Sarao, Head of Cash Management and Corporate Liquidity & Investment - Middle East and Africa, BNP Paribas, who has worked alongside IATA for many years. "Running a pilot in the

market is never easy," comments Sarao. "Very few corporates want to step forward and be the guinea pig. But IATA had the courage to do so."

What's more, "one of the main reasons why we were able to reach this milestone of having one the first live gpi clients was that IATA was not afraid to challenge the bank to deliver the best possible solution," he notes. "This is the power of co-creation."

And Orejas is already seeing significant benefits from this approach. "The feedback so far from the member airlines has been very positive," he says. "They now have transparency over some huge transfer volumes. From a cash management and liquidity position, knowing precisely where their funds are at each moment is incredible."

### Javier Orejas

**Head of Banking Management EMEA and the Americas, IATA**

Javier holds a Master's degree in Law and business administration from the Complutense University of Madrid, a Pre-Doctorate in Law, MBA from ICAI/ICADE and a Master's degree in finance and banking direction from AFI. In his current role as Senior Banking Manager in charge of Europe, Middle East, Africa and the Americas in IATA (International Air Transport Association), Javier is responsible for designing and implementing new cash management solutions which support airlines' financial health and enables IATA to make its financial services cheaper, faster and safer. Prior to IATA, Javier held various positions at Accenture in the area of strategic banking consulting.



### The next step

Despite the impressive progress made to date, Orejas recognises that there is still a development journey ahead towards a transactional future that he hopes will centre fully around speed, transparency and trust. To that end, IATA and BNP Paribas are also now working together on a 'closed gpi pilot'.

Co-ordinated by SWIFT, this involves another half-dozen banks and their corporate clients. The current phase of this pilot - there is no determined end-point per se - is seeking to enable creation of the UETR in the client's ERP system (rather than at the first bank in the chain as it is currently) for end-to-end use with other banks. "We have to develop our own systems to be able to do this and then, in the coming weeks, we will be testing with the other banks selected for this purpose," explains Orejas. "Our ERP system will be used to create several payment tracking numbers which will be received by the executing bank which, initially for us, will be BNP Paribas." This, he adds, will close IATA's gpi implementation, at least from technological point of view.

That said, this is not strictly the end of the story. SWIFT gpi will continue to evolve, as will the work banks and corporates do together around it. For example, says Grosemans, "by the end of this year, we will be deploying functionality to allow for stopping and

### Fabio Sarao

**Head of Cash Management and Corporate Liquidity & Investment - Middle East and Africa, BNP Paribas**

Fabio Sarao holds a B.Sc. business and engineering management from the FHBB University in Muttenz, Switzerland. Before becoming head of Cash Management, Investment and Liquidity at BNP Paribas Middle East & Africa, he was in charge of Cash Management in Switzerland at BNP Paribas and Deutsche Bank and also with Citibank's EMEA Global Transaction Services team based in London. Prior to that, he had several assignments within various corporate treasury organisations including F. Hofmann La Roche and Panalpina.



recalling payments". Development, he adds, is continuous, since the bank is keen to ensure clients can leverage the potential benefits of gpi to their full extent, including the data gpi provides.

### From the outside looking in

On the topic of future developments, there is also the matter of encouraging more banks and corporates to support SWIFT gpi, since its success is based upon its reach. The more participants use it, the greater the benefits for the industry - and individual participants - will be.

Critical mass will take time to achieve, however. "There are different levels of sophistication within the corporate community. Some are ahead of the curve, follow the trends, and they will challenge their banks. Others might not be this forward-thinking, but regardless, corporates at all levels are keen to achieve payments transparency and speed," says Sarao. "So gpi can have benefits for a whole range of different organisations, not

just the largest, or most complex," he observes.

"Having pioneers like IATA on board will only help SWIFT gpi to gather momentum," adds Grosemans.

"Moreover, the need for SWIFT gpi will strengthen as instant payments systems take hold across the globe - and well-defined standards are needed more than ever," he says.

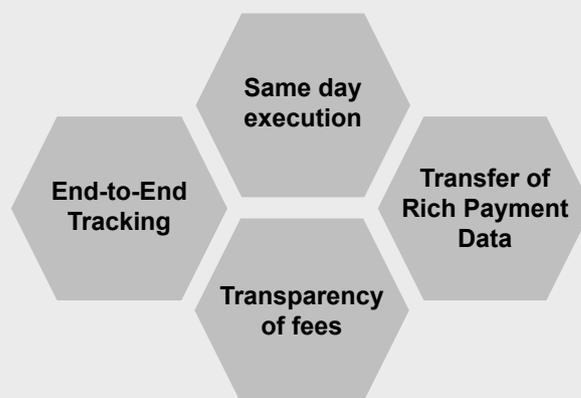
As such, there is a solid business case for corporate and bank support of SWIFT gpi. As Orejas notes: "I truly believe this is a game-changer in the banking industry and for corporates; it will radically alter the value proposition of transactional services," he says. "SWIFT gpi addresses two critical elements in international business - speed and transparency," he continues. "And while there are a growing number of alternatives for transaction processing, SWIFT gpi runs on tried and tested rails and is the first to work towards being a true standard. As such, it is a development that no treasurer can afford to ignore." ■



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